

WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP

MESSAGING RESOURCES/POLLING UPDATE

The Administration's Draft "Financial Stability" Proposal Expands "Too Big To Fail," Placing Taxpayers On The Hook For Future Bailouts. While Republicans want to bring an end to taxpayer funded bailouts, the Democrats proposal seeks to establish permanent bailout authority. It requires regulators to identify financial companies and financial activities that should be subject to heightened prudential standards, and it establishes a resolution fund that places taxpayers on the hook for bailing out failed institutions. In testimony, Secretary Geithner has refused to commit to limit the amount of taxpayer dollars that would be available to bail out large firms. The government's track record in committing hundreds of billions of taxpayer dollars to rescue AIG, General Motors, Chrysler, Fannie Mae, and Freddie Mac, suggests that taxpayers will be forced to pay for mistakes made on Wall Street in the future.

The Administration's Proposal Expands The Powers Of The Fed When It Has Been Proven Incapable Of Addressing Systemic Risks Before They Occur. Under the Administration's plan, monitoring risks will be the job of the proposed Systemic Risk Council, but the Fed will still gain broad new authorities to overrule the judgments of other regulators; regulate hedge funds, insurance companies, and a wide range of other financial institutions that currently fall outside its jurisdictional purview; and even to break up firms that it decides have grown too large. The Fed has historically done a poor job of identifying and addressing systemic risks before they become crises. In addition, the extraordinary market interventions conducted by the Federal Reserve since the onset of the financial crisis have added trillions of dollars to the government's balance sheet and taken it far afield from its core mission of conducting the nation's monetary policy.

Bankruptcy Is A Better Solution To Unwind Failed Non-Banks. The Federal bankruptcy process, free of political influence, is a better solution to resolve failed non-banks. Bankruptcy is a fair, transparent process, and protects taxpayers. Bankruptcy ensures creditors and counterparties of failed firms bear the losses, not the taxpayers. The Democrats' plan, however, codifies the government policies invoked to bail out AIG, Bear Stearns and others. If the government made a commitment to reject the possibility of any taxpayer bailout, and to require bankruptcy in all cases, it would promote market discipline and create the incentives to deter excessive risk taking that led to the financial crisis in the first place.

Polling Update

Rasmussen: "Only 28% Say Some Banks Are Too Big To Fail...The Obama Administration and senior congressional Democrats hope to exercise more government control over big banks to keep them from failing, but voters don't seem too sympathetic right now."

LESSONS LEARNED

Rep. Paul Kanjorski Says Members Need Time To Review The Bill: "I understand that we are under pressure to get some things done. And unfortunately, we haven't had a great deal of time to spend in analyzing this proposition."

Rep. Brad Sherman Says Proposal Creates A Permanent Bailout Authority: "Unfortunately, you've got in here what I call TARP on steroids. You've got permanent, unlimited bailout authority. This is the most unprecedented transfer of power to the executive branch to make decisions about both spending and taxes in history, all without congressional approval, and a sharp departure from our constitutional values."

AFL-CIO President Richard Trumka Says Proposal Creates A Permanent TARP: "We think that ... the discussion draft appears to take some of the problematic and unpopular aspects of the TARP and make them a model for permanent legislation."

ON THE HORIZON

Tuesday, November 3 (and subsequent days if necessary): The Full Committee will convene to continue consideration of H.R. 3817, the Investor Protection Act at 9:30 am in room 2128 Rayburn. The Full Committee will then consider the Democrats' resolution authority legislation and H.R. 2609, the Federal Insurance Office Act.

WEEKEND MUST-READS

Wall Street Journal: "FTC Powers Could Expand Under Consumer Agency Bill ... A bill creating a new consumer financial-protection agency and giving broader powers to the Federal Trade Commission cleared its second House panel Thursday and is being readied for a floor vote."

Wall Street Journal: "Geithner: Economy Can Withstand Commercial Real-Estate Woes ... U.S. Treasury Secretary Timothy Geithner on Thursday expressed confidence that the deepening problems of the commercial real-estate sector wouldn't drag the economy back down."

NY Times: "F.D.I.C. Chief Criticizes Reform Plan ... Senior regulators and some lawmakers clashed once again with the Obama administration on Thursday, finding fault with central elements of the White House's latest plan to unwind large financial companies when their troubles imperil the financial system."

LA Times: "GMAC seeks more aid from Treasury Department ... GMAC, the former lending arm of General Motors Co., is in talks with the Treasury Department for a third injection of taxpayer aid, a further sign of the U.S. government's entrenchment in the auto industry."

Investor's Business Daily: "Fannie, Freddie Mustn't Be Left Out Of Reform ... All the debate of the last several weeks on changes to the financial regulatory system has omitted any discussion over reforming the entities at the center of the housing bubble and financial meltdown: Fannie Mae and Freddie Mac."

Wall Street Journal: "Regulators Prepare for the Next 'Big One' ... Global economic policy makers are just beginning to grapple with a key issue rising out of last year's bankruptcy of Lehman Brothers Holdings: how to react if -- or when -- the next big global bank spins out of control."

Washington Post: "Government widens control over paychecks ... The Federal Reserve joined the Treasury Department on Thursday in imposing new limits on executive pay, extending the government's control over compensation at taxpayer-owned companies to institutions that are merely government regulated."

COMMITTEE REPUBLICANS IN THE NEWS

Rep. Walter Jones issued this press release: Jones and GOP Leader Demand Answers From Obama On Car Czar And GM Bailout

Rep. Shelley Moore Capito appeared on CNN to discuss ACORN and appeared on Fox Business to discuss the possibility of a third bailout for GMAC.

Rep. Ed Royce appeared on CNBC to discuss financial regulatory reform.

Rep. Jeb Hensarling penned this op-ed: [Geithner: Proposal to dismantle big firms won't lead to bailouts](#)

Rep. Patrick McHenry issued this press release: [Vote on McHenry's Credit Rating Proposal Wins Bipartisan Support](#)

Rep. Michele Bachmann issued these press releases: [Kanjorski Promises Bachmann Hearing on Sarbanes-Oxley Act](#); [Financial Services Passes Bachmann Amendment to the Private Fund Investment Advisers Registration Act of 2009](#)

Rep. Spencer Bachus issued these press releases: [Banking Regulator Acknowledges Not Having Time To Read Obama Administration's Financial Industry Reform Plan](#); [Bachus Rejects Frank's Assertion Regarding Credit Czar](#); [Committee Republicans To Frank: Arbitrary Deadline On Financial Regulatory Reform Will Result In Bad Bill](#); [Bachus Rejects Administration's Plan For Permanent Taxpayer Bailout Authority](#), [Proposes Bankruptcy For Resolving Failing Non-Bank Financial Firms](#); [Bachus Amendment To Promote Greater Investor Due Diligence Is Approved By Committee](#); [Bachus Amendment To The Private Fund Investment Advisers Registration Act Is Accepted By Committee](#); [Bachus, Garrett Amendment To Reduce Reliance On Credit Ratings Approved By Committee](#)

CARTOON OF THE WEEK

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